

City of Rockville Retirement Board

November 19, 2010

PRESENT: Kyle France, Union Representative; Anita McCombs, AAME Representative; Chris Peck, FOP Representative; Mark Pierzchala, Councilmember; and Carlos Vargas for the City Manager. Also in attendance were Gavin Cohen, Executive Secretary to the Board; Tim Peifer, Financial Systems Manager; Daisy Harley, Personnel Administrator; as well as Amy Heyel and Taylor Benson, Segal Advisors.

ABSENT: Alex Espinosa, Chairperson

The meeting commenced at 10:00 a.m. with introductions.

I. Approval of Minutes August 27, 2010:

Councilmember Pierzchala moved to accept the minutes. Mr. France seconded. All were in favor.

II. Investment Performance Review 3rd Quarter End September 30, 2010:

Ms. Heyel and Ms. Benson reviewed and discussed the third quarter performance results for the Defined Benefit Plan and for the Thrift Plan. Included in the discussion was an update on the transition of the Thrift Plan to Prudential Retirement. Segal reported that the Pension Plan assets were valued at \$54.1 million and that the Plan was ahead of the Policy Index for year to date. Segal expressed concern in regards to the underweighting of the Real Estate Fund at 10% whereas the Policy guidelines called for a 15% allocation. Due to the Board's reluctance to allocate any more funding towards real estate, Segal recommended that the Board adopt an intermediate asset allocation to better reflect the current environment until such time as the Board revisits its asset allocation. Segal will provide a memo at the next meeting for the Board to vote on an intermediate asset allocation. Councilmember Pierzchala moved a motion for Segal to prepare an intermediate asset allocation for the next meeting. Motion seconded by Cpl. Peck. All were in favor.

Thrift plan assets were valued at \$16.2 million. Segal discussed the new fund lineup with Prudential, the utilization of Prudential Goalmaker as the new default fund, and that the transition was on schedule.

III. RB Trust Performance Review 3rd Quarter end September 30, 2010:

Mr. Cohen presented the performance report for the Retiree Benefit Trust. He noted that the value of Trust was \$1.8 million, and that the Fund was ahead of all of its established benchmarks. There was no further discussion or questions on this item.

IV. Review of Actuarial Valuation Report:

Mike Clark, the Plan actuary, presented via conference call the 4/1/2010 Actuarial Valuation Report. Key highlights discussed were the Plan's funding ratio of 75.1%, the Plan's unfunded actuarial liability of \$19.7 million, and the Plan's Annual Required Contribution for FY 2012 of \$4.2 million. Mr. Clark spent some time explaining the deferral of gains and losses on the Plan's unfunded liabilities and an extensive discussion was held on the Plan's Employee Supplemental Contribution formula. Discussion related to the contribution formula for the Police to be either the same as other employees or different due the cost to the Police. Discussion on the Police formula was tabled until the additional information is provided. Staff relayed to the Board its dissatisfaction with Principal wanting to charge the Board for each item of additional information that Staff requested Principal to include within the valuation report. The Board directed Mr. Clark to prepare three additional pieces of information for the next Board Meeting. The Board requested information to be provided on the Benefit Index and the impact to the valuation report, a ten-year estimate of the impact of the employee supplemental contribution, and historical earnings data.

V. Thrift Plan Amendment:

Staff shared with the Board some Thrift Plan amendment changes that had been presented to the Mayor and Council on November the 1st. All of the changes were administrative in nature, except vesting, and resulted from discussions with Prudential Retirement, the new vendor. Staff explained that the Mayor and Council had approved all of the amendments with the exception of the change in vesting period from a seven year graduated to a three-year cliff. Mayor and Council had requested a quote on a five-year vesting schedule for the Board to consider. After discussion it was moved by Councilmember Pierzchala and seconded by Cpl. Peck to recommend a three-year cliff vesting schedule to the Mayor and Council. All were in favor.

VI. Plan Design Alternatives Study Update:

Mr. Clark, the Plan actuary, presented via conference call results of his study to review Plan design elements related to participants normal and early retirement ages, vesting requirements, actuarial reductions, and a "rule of 85" benefit enhancement. Staff made a recommendation for normal retirement age to be 65 with early retirement age to be 58. After extensive discussion in regards to all of the three plans, Admin, Union, and Police, and the options that the actuary had done a cost analysis on, the Board approved the following recommendation: Normal Retirement age for new participants to be age 62, Early retirement age to be 55, and vesting to be at 10 years of service regardless of age, actuarial penalty to be 4.5% annually. These changes apply to the Admin Plan and Union Plan only. The Board discussed the Police study, which would keep the same normal retirement age, but move to a 30 years of service and out provision. The Board voted unanimously not to make any changes to the Police Plan. A motion made by Mr. France and seconded by Cpl. Peck for the 62, 55-10, 4.5% option. All were in favor.

VII. Request for Proposal Actuarial Services:

Staff presented a request to the Board to consolidate the Boards' actuarial service needs to achieve efficiencies as currently two different actuaries provide services for the Pension Plan and the Retiree Benefit Trust. In addition, staff relayed to the Board all the additional expenses that the Principal actuary wanted to charge for the information requested by staff to be in the actuarial valuation report. Motion made by Councilmember Pierzchala, seconded by Cpl. Peck for staff to proceed with a RFP for comprehensive actuarial services. All were in favor.

VIII. Calendar 2011 meeting schedule:

The Board approved the calendar of meetings for 2011 with one change to the May meeting. Meetings are established for February 18, June 10, September 2, and November 18.

IX, ROCKERS:

Staff presented to the Board Staff's branding campaign for the retirement system including the logo and tag line. Staff is hoping that with the new brand it will help raise awareness of the benefits with employees.

Meeting was adjourned at 1:15.